



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

## LOGAN TOWNSHIP OGEMAW COUNTY, MICHIGAN

### FINANCIAL STATEMENTS MARCH 31, 2006

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
[www.wf-cpas.com](http://www.wf-cpas.com)  
[wf@wf-cpas.com](mailto:wf@wf-cpas.com)

OFFICES: BAY CITY, CLARE  
GLADWIN AND WEST BRANCH

**RSM! McGladrey Network**  
An Independently Owned Member

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name LOGAN TOWNSHIP	County OGEMAW
Fiscal Year End 3-31-06	Opinion Date 5-17-06	Date Audit Report Submitted to State 11-8-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

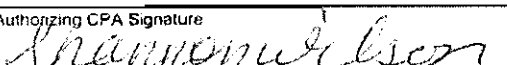
YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH		Telephone Number 989-386-3481		
Street Address 601 BEECH STREET		City CLARE	State MI	Zip 48617
Authorizing CPA Signature 		Printed Name SHANNON WILSON		License Number 1101027042

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3i
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Fund	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Change in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	9
Fiduciary Funds	
Statement of Fiduciary Net Assets	10
Notes to Financial Statements	11-19
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	20



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENA E. M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

## Independent Auditors' Report

May 17, 2006

To the Township Board  
Logan Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan Township as of and for the year ended March 31, 2006, which collectively comprise the Logan Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Logan Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Logan Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Government has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
[www.wf-cpas.com](http://www.wf-cpas.com)  
[wf@wf-cpas.com](mailto:wf@wf-cpas.com)

OFFICES: BAY CITY, CLARE  
GLADWIN AND WEST BRANCH

**RSM! McGladrey Network**

An Independently Owned Member



# WEINLANDER FITZHUGH

To the Township Board  
Logan Township  
May 17, 2006

## **Required Supplemental Information**

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

Our discussion and analysis of the Logan Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006.

**Financial Highlights**

The Township's net assets increased by \$7,357 or 3%. Program revenues were \$8,709 or 11% of total revenues, and general revenues were \$68,281 or 89%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Logan Township financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Township.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Government-wide Financial Analysis**

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2006.

<b>Exhibit A</b>	<u>Governmental Activities</u>
<b>Assets</b>	
Current and other assets	\$ 138,175
Capital assets - Net of accumulated depreciation	<u>80,910</u>
Total assets	<u>219,085</u>
<b>Net Assets</b>	
Invested in property and equipment	80,910
Unrestricted	<u>138,175</u>
Total net assets	<u><u>\$ 219,085</u></u>



LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

This analysis focuses on net assets. The Township's net assets were \$219,085 at March 31, 2006. Capital assets totaling \$80,910 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets.

The \$138,175 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended March 31, 2006. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2005 is not available.

<b>Exhibit B</b>	<u>Governmental Activities</u>
<b>Revenue</b>	
Program revenue:	
Charges for services	\$ 8,709
General revenue:	
State shared revenues	39,239
Interest	2,076
Miscellaneous	499
Property taxes	<u>26,467</u>
Total revenue	<u>76,990</u>
<b>Function/Program Expenses</b>	
General government	63,519
Highways and streets	4,951
Recreation and culture	<u>1,163</u>
Total expenses	<u>69,633</u>
<b>Increase in Net Assets</b>	<u><u>\$ 7,357</u></u>

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$69,633. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining "public benefit" portion of our governmental activities with \$26,467 in taxes, \$39,239 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$7,357. Key reasons for the change in net assets were an increase in the property tax base and an increase in State shared revenues. These increases were offset by a slight increase in overall Township expenditures, including depreciation expense. The increase in net assets differs from the change in fund balance and reconciliation appears in the financial statements.

**The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$138,175, which is above last year's total of \$127,062. The schedule below indicates the fund balance and the total change in fund balances as of March 31, 2006 and 2005.

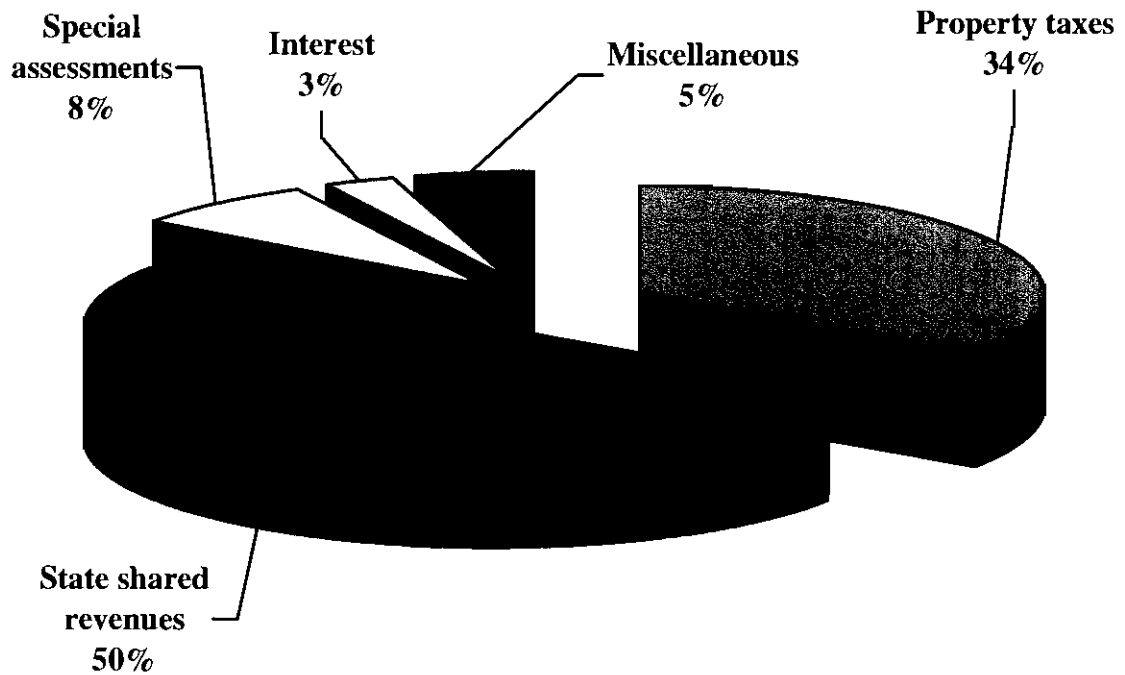
	<u>Fund Balance</u> <u>March 31, 2006</u>	<u>Fund Balance</u> <u>March 31, 2005</u>	<u>Increase</u>
General	<u>\$ 138,175</u>	<u>\$ 127,062</u>	<u>\$ 11,113</u>

- Our General Fund increased \$11,113. The increase is mainly due to an increase in the property tax base and an increase in State shared revenues. These increases were offset by a slight increase in overall Township expenditures.

**LOGAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2006**

As the graph below illustrates, the largest portion of the Township's revenue comes from state revenue sharing.

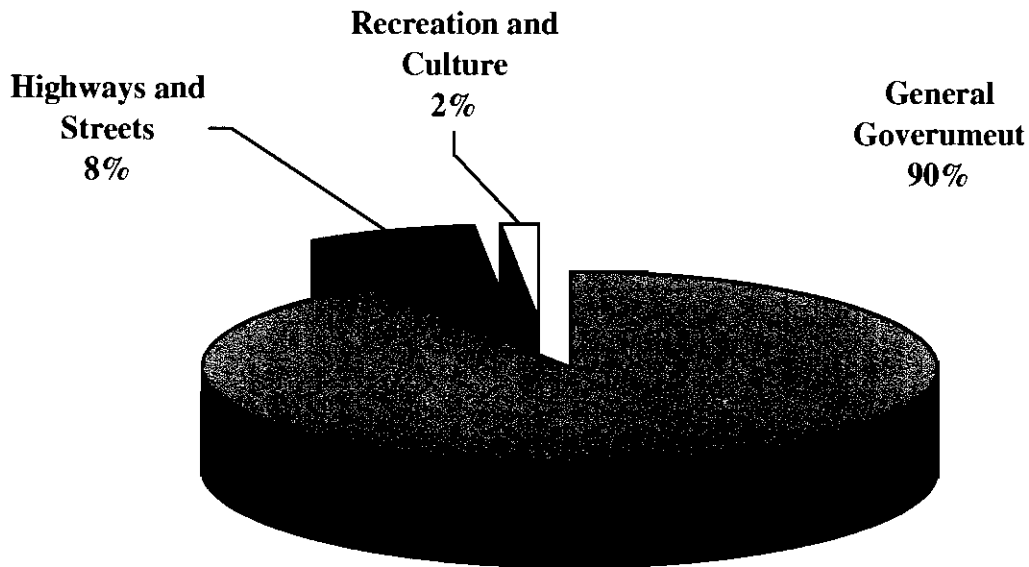
**Sources of Revenues**



**LOGAN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2006**

The graph below illustrates, 8% of the Townships' resources are spent on highways and streets. Another 90% is spent for general government expenses such as administrative costs and hall and ground, including utilities. The remaining 2% is spent on other services provided to the residents of the Township as listed below.

**Expenditures**



The chart below compares current year expenditures with prior year.

	2006	2005
<i>Expenditures by Function</i>		
General government	\$ 59,763	\$ 56,565
Highways and streets	4,951	3,542
Recreation and culture	1,163	836
Total	<u>\$ 65,877</u>	<u>\$ 60,943</u>

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

Expenditures are up by \$4,934 or 8% over the prior year mostly due to increased spending for assessor software, the purchase of a computer for the treasurer and hall utilities and maintenance, including lawn mowing and cleaning services. These increases were offset by decreases in spending for accounting services and election supplies.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows.

- Budgeted revenues decreased \$1,045. The decrease was mainly due to a decrease in expected property tax revenue. The Township did increase the budgeted State shared revenues to reflect estimated payments from the Michigan Department of Treasury.
- Budgeted expenses decreased \$12,223. The decrease was due to decrease in repairs and maintenance on the hall as well as a decrease in capital outlay for the hall and equipment. The contingency expenditure was eliminated from the final budget due to no unexpected expenses for the year. The Township also decreased expenses for highways and streets as well as recreation and culture for lower expenses than originally budgeted.

The differences between the budget and the final actual amounts are as follows.

- Actual revenues were over budgeted revenue by \$9,529. The difference is due to more property tax, special assessment and interest revenue being collected in the current year than expected.
- Actual expenditures were over the budgeted expenditures by \$250. The difference is due to the Township spending less on hall repairs and maintenance. The Township also did not incur any capital outlay expenses for the hall as budgeted for. However the Township did spend more than budgeted for on dust control expenses.

LOGAN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended March 31, 2006

**Capital Assets**

At March 31, 2006, the Township had \$80,910 invested in capital assets, including land, buildings and building improvements. There were no additions or disposals of capital assets in the current year.

	<u>2006</u>	<u>2005</u>
Land	\$ 17,500	\$ 17,500
Buildings and improvements	<u>129,223</u>	<u>129,223</u>
Total capital assets	146,723	146,723
Less accumulated depreciation	<u>65,813</u>	<u>62,057</u>
Net capital assets	<u><u>\$ 80,910</u></u>	<u><u>\$ 84,666</u></u>

We do not anticipate any major capital additions for the next fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

**Requests For Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Logan Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Logan Township  
4507 East M-55  
Prescott, MI 48756

LOGAN TOWNSHIP  
Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 129,980
Internal balances	8,195
Capital assets net of accumulated depreciation of \$65,813	<u>80,910</u>
Total Assets	<u>219,085</u>
 <u>Net Assets</u>	
Investment in capital assets	80,910
Unrestricted	<u>138,175</u>
Total Net Assets	<u><u>\$ 219,085</u></u>

See accompanying notes to financial statements.

		Program Revenue	Governmental Activities
			Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	
Primary Government -			
Governmental activities:			
Operating:			
General government	\$ 63,519	\$ 3,169	\$ (60,350)
Highways and streets	4,951	5,540	589
Recreation and culture	1,163	0	(1,163)
Total governmental activities	<u>\$ 69,633</u>	<u>\$ 8,709</u>	<u>(60,924)</u>
	General revenues:		
	State shared revenues		39,239
	Property taxes		26,467
	Interest		2,076
	Miscellaneous		499
	Total general revenues		<u>68,281</u>
	Change in net assets		7,357
	Net assets - beginning of year		<u>211,728</u>
	Net assets - end of year		\$ 219,085

-5-



LOGAN TOWNSHIP  
Governmental Fund  
Balance Sheet  
March 31, 2006

ASSETS

	<u>General Fund</u>
Cash and cash equivalents	\$ 129,980
Due from other funds	<u>8,195</u>
Total Assets	<u><u>\$ 138,175</u></u>

FUND BALANCE

<u>Fund Balance</u>	
Unreserved and undesignated	<u><u>\$ 138,175</u></u>

See accompanying notes to financial statements.

LOGAN TOWNSHIP  
Reconciliation of Balance Sheet of Governmental Fund  
to the Statement of Net Assets  
March 31, 2006

Total fund balance - governmental fund	\$ 138,175
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	146,723
Accumulated depreciation	(65,813)
	<hr/>
Total net assets - governmental activities	<u><u>\$ 219,085</u></u>

See accompanying notes to financial statements.

LOGAN TOWNSHIP  
Governmental Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended March 31, 2006

	<u>General Fund</u>
<u>Revenues</u>	
State shared revenues	\$ 39,239
Property taxes	26,467
Special assessments	5,540
Interest	2,076
Miscellaneous	3,668
Total revenues	<u>76,990</u>
<u>Expenditures</u>	
Current	
General government	59,763
Highways and streets	4,951
Recreation and culture	1,163
Total expenditures	<u>65,877</u>
Excess (deficiency) of revenues over expenditures	11,113
Fund balance - beginning of year	<u>127,062</u>
Fund balance - end of year	<u><u>\$ 138,175</u></u>

See accompanying notes to financial statements.

LOGAN TOWNSHIP  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Fund to the Statement of Activities  
For the Year Ended March 31, 2006

Net change in fund balance - total governmental fund	\$ 11,113
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(3,756)
	<hr/>
Change in net assets of governmental activities	<u><u>\$ 7,357</u></u>

LOGAN TOWNSHIP  
Fiduciary Fund  
Statement of Fiduciary Net Assets  
March 31, 2006

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	\$     72,856
Due from other governmental units	<u>          6,363</u>
	<u>\$     79,219</u>
<u>Liabilities</u>	
Due to other governmental units	\$     71,024
Due to other funds	<u>          8,195</u>
Total liabilities	<u><u>\$     79,219</u></u>

See accompanying notes to financial statements

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Logan Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Logan Township.

**Reporting Entity**

The Logan Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include, (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental fund.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Building improvements	10 to 20 Years
Vehicles	10 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township’s financial statements as a result of GASB No. 34 are as follows.

- A Management’s Discussion and Analysis (MD&A) section providing analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided.

The following is a reconciliation of beginning net assets.

Fund balance – March 31, 2005	\$127,062
Capital assets	146,723
Accumulated depreciation	<u>(62,057)</u>
Net assets – March 31, 2005	<u>\$211,728</u>

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Logan Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Logan Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows.

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Highways and streets	\$ 631	\$ 4,951	\$ (4,320)

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Government's deposits were reported in the basic financial statements in the following categories.

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 129,980	\$ 72,856	\$ 202,836

**Custodial Credit Risk- Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$76,892 of the Township's bank balance of \$234,230 was exposed to custodial credit risk.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Township has no investments as of March 31, 2006.

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows.

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 17,500	\$ 0	\$ 0	\$ 17,500
Capital assets being depreciated:				
Buildings	116,600	0	0	116,600
Building improvements	12,623	0	0	12,623
Subtotal	129,223	0	0	129,223
Less accumulated depreciation for:				
Buildings	61,215	2,914	0	64,129
Building improvements	842	842	0	1,684
Subtotal	62,057	3,756	0	65,813
Net capital assets being depreciated	67,166	(3,756)	0	63,410
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 84,666</u>	<u>\$ (3,756)</u>	<u>\$ 0</u>	<u>\$ 80,910</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	<u>\$ 3,756</u>

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

A summary of inter-fund receivable and payable balances at March 31, 2006, is as follows.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 8,195	\$ 0
Tax Fund	<u>0</u>	<u>8,195</u>
	<u>\$ 8,195</u>	<u>\$ 8,195</u>

These interfund receivable and payable balances resulted from the time lag between the dates that payments between funds were made.

There were no interfund transfers during the fiscal year.

**NOTE 7 – RISK MANAGEMENT**

The Logan Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Logan Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Logan Township.

LOGAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2006

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE 8 – DISTRIBUTION OF TAX REVENUE**

It was observed that during the audit, there was a balance of \$72,856 remaining in the tax fund checking account from prior years and current year tax collections as of March 31, 2006. According to MCL 211.43, a governmental unit is in noncompliance with distribution of tax collection if tax collections are distributed within 10 business days after the 1<sup>st</sup> and 15<sup>th</sup> of each month. In order for the Township to be in compliance with MCL 211.43, the Township must immediately distribute currently held tax funds, and all future tax collections must be distributed on a timely basis.

## **Required Supplemental Information**

LOGAN TOWNSHIP  
 Budgetary Comparison Schedule  
For the Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
State shared revenues	\$ 34,000	\$ 39,239	\$ 39,239
Property taxes	28,585	22,601	26,467
Special assessments	1,776	1,333	5,540
Interest	2,435	1,087	2,076
Miscellaneous	1,710	3,201	3,668
Total revenues	<u>68,506</u>	<u>67,461</u>	<u>76,990</u>
<u>Expenditures</u>			
Current			
General government	68,530	63,833	59,763
Highways and streets	3,620	631	4,951
Recreation and culture	2,700	1,163	1,163
Contingency	3,000	0	0
Total expenses	<u>77,850</u>	<u>65,627</u>	<u>65,877</u>
Excess (deficiency) of revenues over expenditures	(9,344)	1,834	11,113
Fund balance-beginning of year	<u>127,062</u>	<u>127,062</u>	<u>127,062</u>
Fund balance-end of year	<u>\$ 117,718</u>	<u>\$ 128,896</u>	<u>\$ 138,175</u>

See accompanying notes to financial statements.





# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA  
ROYA. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

May 17, 2006

Township Board  
Township of Logan  
Ogemaw County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Township of Logan for the year ended March 31, 2006, was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE  
GLADWIN AND WEST BRANCH

**RSM McGladrey Network**

An Independently Owned Member



# WEINLANDER FITZHUGH

Township Board  
Township of Logan  
May 17, 2006  
Page 2

## **Audit Adjustments**

There were a number of audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the adjustments to accounts payable for insurance and to property taxes, either individually or in the aggregate, have a significant effect on the Township's financial reporting process.

## **Accounting Policies and Alternative Treatments**

Management and the Township Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The significant accounting policies adopted by the Township are described in Footnote 1 to the financial statements.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.



# WEINLANDER FITZHUGH

Township Board  
Township of Logan  
May 17, 2006  
Page 3

## Other comments

### *Timely distribution of tax revenue*

It was observed that during the audit, there was a large balance remaining in the tax fund checking account from prior years and current year tax collections as of March 31, 2006. According to MCL 211.43, a governmental unit is in compliance with distribution of tax collection if tax collections are distributed within 10 business days after the 1<sup>st</sup> and 15<sup>th</sup> of each month. In order for the Township to be in compliance with MCL 211.43, the Township must immediately distribute currently held tax funds and all future tax collections must be distributed on a timely basis.

## Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Logan Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

*Weinlander Fitzhugh*